


Canada - Foreign Exchange Control Board

Public circular.

No. 1, 3-6, 15-17

(Dec. 2, 1940 - Jan. 9, 1942)



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Canada
Foreign Exchange Control Board

Ottawa,

December 2, 1940.

PUBLIC CIRCULAR NO. 1

Payments of foreign exchange between residents

(Note: In future all public circulars issued by the Board will be numbered serially, as above)

1. Previous rulings regarding the payment of foreign exchange by one resident of Canada to another resident are cancelled. On and after January 1, 1941, no resident may pay foreign exchange to or receive foreign exchange from another resident except as provided in the Regulations of the Board or under special authority from the Board.

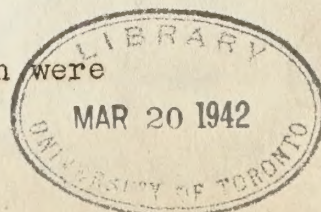
2. This ruling shall not affect the completion of any forward exchange contracts with an Authorized Dealer of the Board outstanding at the date of this ruling. If completion is to be effected on or after January 1, 1941, however, the holder of such a contract should advise the intended payor or recipient of the foreign exchange to make an appropriate reference on the relative Form F or Form C.

3. The following types of payments are not affected by the present ruling:

- (a) Payments by or to residents acting as agents or trustees for non-residents, if made by disbursement from or for deposit to a foreign currency bank account authorized under an AG permit or a foreign currency bank account of a trust company registered with the Board.
- (b) Payments of foreign exchange between holders of X permits by disbursements from and deposits to foreign currency bank accounts authorized under such permits.
- (c) Payments to residents of interest and dividends on, and re-payment of principal upon maturity of, publicly issued Canadian foreign-pay securities where authority has been granted by the Board for payment generally to holders of the relative securities.

4. Aside from the foregoing, any resident who is of the opinion that transfers of foreign exchange between himself and his customers or suppliers are essential to the conduct of his business may apply to the Board for special authority. The application shall show the name of the resident's Authorized Dealer, the names and addresses of the proposed payors or payees, and the reasons why such transfers are considered necessary. If special authority is granted the applicant will be advised of the procedure to be followed. The Board expects, however, that business between residents of Canada will be conducted wherever possible in Canadian dollars and not in foreign exchange. In general, special authority for payments in foreign exchange will be granted only where all of the following conditions are present:

- (i) All the parties concerned operate authorized foreign currency bank accounts;
- (ii) The payors are normally net sellers of foreign exchange to an Authorized Dealer; and
- (iii) A definite hardship would be imposed if permission were declined.



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Canada
Foreign Exchange Control Board

Ottawa,

December 17, 1940.

PUBLIC CIRCULAR NO. 3.

TRAVEL PERMITS

A new section has been added to the Foreign Exchange Control Order requiring every resident of Canada to obtain a permit from the Foreign Exchange Control Board before leaving Canada for any purpose. "Resident of Canada" means any person ordinarily resident in Canada; non-residents temporarily visiting Canada are not in any way affected.

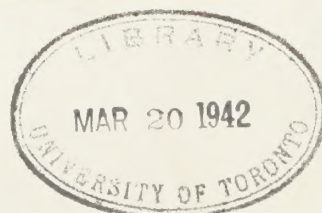
The importance of the new provision, which comes into force on January 1, 1941, is that residents will henceforth require a travel permit whether or not they are actually carrying funds on their person when leaving Canada. There was evidence that a number of residents were taking advantage of the previous regulations by crossing the border with no money in their pockets but arranging by illegal means to have money placed at their disposal in the United States. Similarly, residents who obtained a permit for a proper purpose were taking other residents with them and spending more money than was necessary for the real purpose of their travel.

Section 25 of the Order will prevent these practices. No change in policy is involved except that residents who could hitherto cross the border without a permit because they were not actually carrying funds will now have to apply to the Board for a travel permit and satisfy the Board or a bank acting as agent for the Board that they are not attempting to evade the Foreign Exchange Control Regulations. Permits will be granted in all proper cases.

The Order exempts from permit requirements members of the Armed Forces of Canada departing for duty abroad. By a regulation of the Board exemption is also granted to any resident travelling direct by ship from a Canadian port to Newfoundland or to any country in the sterling area without intermediate stops in countries outside the sterling area, provided he is not taking any United States funds with him.

Residents who are representatives of foreign governments residing in Canada in the course of their duties (and their wives and families) are also exempted if they carry evidence of identification in the form of their certificate of exemption from the National Registration Regulations.

The Board's Form H will continue to be used as a travel permit. In certain cases other forms of permits are provided; for example, business firms which have had a travel budget approved by the Board may obtain special business travel permits. Similarly, residents engaged in international transportation and other occupations which require frequent trips to the United States may obtain special border travel permits. Arrangements will still continue also for social visits across the border by residents of border communities upon delivering a written declaration to the Customs officer on a form supplied by the Board that they are taking with them



not more than \$5 in Canadian funds for a brief visit to friends in the United States.

The Board will continue to grant permits for pleasure travel when the resident's expenses (including transportation) are being paid by friends in the United States. Such a resident will be able to obtain a permit to take out of Canada any money sent to him for the purposes of his journey by his friends abroad. Full information may be obtained from any bank. On the other hand, it is not permissible for residents to borrow money in the United States to finance a journey for which they would not be able to obtain U. S. funds from a Canadian bank. The borrowing of foreign currency in any manner requires a permit from the Board. Such permits are not granted except for purposes for which foreign exchange is supplied by the Board.

Foreign Exchange Control Board

Ottawa,

December 17, 1940.

PUBLIC CIRCULAR NO. 4.

Securities Transactions by Non-residents

Section 18 of the revised Foreign Exchange Control Order requires that a permit be obtained in connection with sales of securities in Canada by non-residents. No change in policy is involved. Under a new regulation of the Board (Regulation No. 31) which carries on the policy hitherto followed by the Board, permits are not required in the following cases:

- (a) for the sale of securities in Canada by one non-resident to another non-resident through the medium of a Canadian stockbroker or investment dealer;
- (b) for the sale of securities in Canada by a non-resident who immediately reinvests the proceeds of sale in Canadian domestic securities of an equivalent value.

It is the policy of the Board to grant permits where required in the following cases:

- (a) for the sale of securities in Canada by a non-resident where the proceeds of sale are to be used to reduce a debit balance with a Canadian stockbroker or investment dealer applicable to those securities;
- (b) for the sale of securities in Canada by a non-resident where such securities were purchased by the non-resident for cash subsequent to January 8, 1940, and recorded with the Board at the time of purchase;
- (c) for the sale of securities in Canada by a resident of the sterling area who has previously obtained permission from the exchange control authorities in his own country.

Further details may be obtained from any Canadian stockbroker or investment dealer (which term includes any Canadian branch of a chartered bank or savings bank and any Canadian branch of a United States stockbroker or investment dealer). The Order in Council and Regulations were published in a special issue of the Canada Gazette dated December 16, 1940.

Stockbrokers and investment dealers are advised that the special permit on Form S referred to in Regulation 31 will be available shortly. In the meantime, applications may be made on Form G in the same manner as in the past.



Foreign Exchange Control Board

Ottawa,

December 17, 1940.

PUBLIC CIRCULAR NO. 5.

Services performed by Residents for Non-Residents

Section 27 of the revised Foreign Exchange Control Order requires that residents performing services for non-residents shall obtain payment in United States dollars and not in Canadian dollars unless otherwise permitted by the Board. The same applies where residents lease property outside Canada to non-residents.

The services affected are primarily those of a business nature such as legal and accountancy services, engineering, advertising, services to vessels, etc., which, when performed for non-residents, should produce foreign exchange for Canada in the same manner as exports of goods. To avoid unnecessary inconvenience where only small amounts are involved, the Order exempts services performed for tourists visiting Canada as well as personal services performed for non-resident business visitors, and Regulation 29 of the Board also exempts services of any kind having a value of not more than \$25 per month.

Since the object is to obtain United States dollars in appropriate circumstances, services performed for residents of the sterling area and leases of property in the sterling area are exempted by the Order.

Instead of United States dollars, payment may also be made in Canadian dollars in any case in which payment is made by a non-resident out of Canadian dollars which would otherwise be eligible for conversion into foreign exchange, that is, where payment is made by deduction from income received in Canada or where payment is made out of special resident bank accounts maintained in Canada under permit from the Board by certain non-resident companies.

Passenger transportation is not affected by the new provision. Freight, express and other charges for the transportation of goods are likewise excluded as foreign exchange is obtained indirectly for these expenditures under another section of the Order. There are two exceptions to these exemptions, however, namely, the movement of carload or bulk shipments of goods in transit in bond for export and any transportation services for which payment is received from a non-resident transportation agency or from a non-resident agency for the sale of transportation.

Canada
Foreign Exchange Control Board

Ottawa,

January 7, 1941.

PUBLIC CIRCULAR NO. 6

PREPAYMENT OF IMPORTS

1. No form of prepayment may be made for goods to be imported into Canada unless any permits required under the War Exchange Conservation Act, 1940, and any other licences or permits necessary for the importation of goods into Canada (other than the Board's Form E) have been obtained from the appropriate Government authority.

2. Unless the specific authority of the Board has been obtained, no foreign exchange may be purchased or used and no transfers of Canadian dollars may be made to non-residents to pay for goods in advance of their importation into Canada except in the following cases:

(a) Goods originating in the sterling area which are to be shipped direct to Canada; or

(b) Goods originating in the United States which are to be imported into Canada within ninety days; or

(c) Goods originating elsewhere than in the United States which have already reached the United States and which are to be imported into Canada within ninety days; or

(d) Goods other than those referred to in (a), (b) or (c) above for which negotiable shipping documents (which must include on board bills of lading) have been submitted to the Authorized Dealer or to his correspondent in the United States.

3. Unless the specific authority of the Board has been obtained, letters of credit may be opened only where the terms of payment conform with the provisions of paragraph 2.



4. Forward exchange contracts may be entered into with Authorized Dealers in connection with the importation of any goods for which the importer has a firm commitment due within ninety days but delivery of exchange under such forward contracts may not be taken without the express permission of the Board except in the cases referred to in paragraph 2.

5. The purpose of this ruling is to give the Board an opportunity to scrutinize transactions involving prepayment for imports in all cases other than those described in paragraph 2. In any other cases application may be made to the Board either direct or through an Authorized Dealer.

Foreign Exchange Control Board

Ottawa,

September 16, 1941.

PUBLIC CIRCULAR NO. 15

Note: This circular replaces Public Circular No. 14 dated September 10, 1941, which should be cancelled. The only changes are in paragraph 1 which now includes Syria and Lebanon in the definition of the sterling area and in paragraph 6 which clarifies the point that permission must be obtained from the Board before U.S. dollars may be sold or used for payment of goods not entering Canada or Newfoundland in cases where the goods are to be sold for payment in U.S. funds.

KINDS OF FOREIGN CURRENCY WHICH MAY BE SOLD OR USED FOR VARIOUS TRANSACTIONS

1. The expression "sterling area" means and includes territories under the sovereignty, protection, suzerainty, or mandate of His Majesty (except Canada and Newfoundland) and also includes Egypt, the Anglo-Egyptian Sudan, Belgian Congo, Ruanda-Urundi, Iceland, the Faroe Islands, French Cameroons, French Equatorial Africa (composed of Chad, Ubanghi-Chari, Middle Congo and Gaboon), French Settlements in India, French Oceania, Syria and Lebanon. "sterling area"
2. No foreign currency other than sterling or the local currency of a country in the sterling area may be sold or used in payment for Imports and Ocean Freight
 - (a) goods of any origin imported to Canada direct from the sterling area;
 - (b) goods originating in the sterling area imported to Canada from or through a country outside the sterling area;
 - (c) ocean transportation charges on goods consigned to Canada from any part of the sterling area.

(Permits will not be granted for payments in Canadian dollars from a resident of Canada to a resident of a country outside the sterling area for imports to Canada of goods which originated in the sterling area.)
3. No foreign exchange may be sold or used in payment for goods imported to Canada from Newfoundland. Newfoundland
4. Where foreign exchange is authorized to be paid to a resident of the sterling area, no foreign currency other than sterling or the local currency of a country in the sterling area may be sold or used for that purpose except in the case of payments of dividends, interest or the principal amounts of any securities where such dividends, interest or principal are payable in a currency of a country outside the sterling area and the Board has authorized payment in such currency. Other payments



5. (a) Where sterling or the local currency of a country in the sterling area is held or received by a resident for account of a non-resident, no foreign currency other than sterling or the local currency of a country in the sterling area may be remitted to such non-resident.

Sterling held
by or on behalf
of non-resident

(b) When a non-resident tenders sterling or the local currency of a country in the sterling area to an Authorized Dealer pursuant to Regulation 5, no foreign currency other than sterling or the local currency of a country in the sterling area may be provided to such non-resident by the Authorized Dealer.

(c) With respect to sub-paragraphs (a) and (b) above it should be noted that under the United Kingdom Regulations transfers of sterling to or from sterling accounts operated by residents of Canada (including Canadian banks) are ordinarily permitted only from or to sterling accounts of residents of Canada, Newfoundland and the sterling area. Exceptions to this general rule may be ascertained from any Authorized Dealer.

6. United States dollars may not be sold or used (nor may Canadian dollars be transferred to or to the account of a non-resident other than a resident of the sterling area) to pay for

Trade wholly out-
side Canada and
goods entering
Canada for re-
export

(a) goods which are not entering Canada or Newfoundland, unless the goods are to be sold for payment in United States dollars which will be sold to an Authorized Dealer or credited to an authorized foreign currency account, and the specific permission of the Board has been obtained for such transaction,

(b) goods which are being imported into Canada for export to a sterling area country, unless the goods are to be processed in Canada or unless payment is obtained in United States dollars from the sterling area importer concerned.

Similarly, unless the special permission of the Board is obtained goods already imported into Canada which have been or are to be paid for in United States funds may not be exported to a sterling area country other than for payment in United States dollars unless the goods have been processed in Canada.

7. These provisions apply both to sales of foreign exchange by Authorized Dealers and Special Agents of the Board, and to the disposition of foreign exchange by any resident of Canada, whether such disposition is made from an authorized foreign currency account or under any other authority from the Board. No resident, of course, may make any disposition of any foreign exchange except by authority from the Board.

Scope of this
ruling

8. Any application, based upon special circumstances, involving a departure from the above rules should be made to the Board or referred to the Board by the applicant's Authorized Dealer.

Special
applications

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Canada
Foreign Exchange Control Board

Ottawa, December 30, 1941.

PUBLIC CIRCULAR NO.16

**AMENDMENTS TO FOREIGN EXCHANGE ACQUISITION
ORDER, 1940, FOREIGN EXCHANGE CONTROL ORDER
AND REGULATIONS**

1. The attached extra editions of the Canada Gazette dated December 30 contain amendments to the Foreign Exchange Control Order and the Foreign Exchange Acquisition Order, 1940, and a revision and consolidation of the Regulations of the Board.

2. The purpose and effect of the principal changes in the Orders and Regulations is to simplify routine and eliminate or reduce the use of licence and permit forms, particularly in connection with transactions between Canada and countries in the sterling area. The changes of general interest, which will come into force on January 2, 1942, are summarized below:

(a) Sterling Bank Accounts

Residents of Canada are no longer required to sell to the Board sterling coming into their possession, ownership or control. Any resident (whether an individual or a company) may operate a sterling bank account either in Canada or in a country in the sterling area and deposit therein his receipts of sterling and make disbursements therefrom for any of his own expenditures in the sterling area. No permits from or reports to the Board are necessary. Any resident desiring to buy or sell sterling for Canadian dollars must, however, do so only through an Authorized Dealer.

(b) Sterling Remittances

Any person may purchase sterling from Authorized Dealers and other agents of the Board for the purpose of making remittances to countries in the sterling area in any amount and for any purpose without the necessity of completing any permit forms.

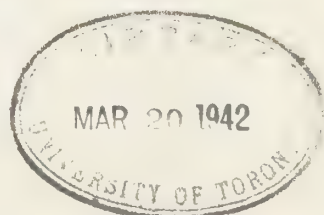
(Permit forms are still necessary for sales of sterling to an Authorized Dealer in amounts in excess of £100 and for purchases and sales of sterling for forward delivery).

(c) Canadian Dollar Remittances to the Sterling Area

No permits are necessary for residents of Canada to make payments in Canadian dollars to residents of the sterling area, whether by cheque or otherwise. It is desirable, however, that cheques issued in favour of residents of the sterling area be marked by an Authorized Dealer before being sent abroad to indicate that the payees are residents of the sterling area and that no permit is therefore necessary.

(d) Imports of Goods from the Sterling Area and Newfoundland

No import licence on the Board's Form E is required for goods imported direct to Canada from Newfoundland or any part of the sterling area or for goods originating in Newfoundland or the sterling area which are imported to Canada from other countries.



(e) Exports of Goods to the Sterling Area and Newfoundland

Exporters who do not hold special permits granted by the Board are required to complete only four copies of the combined Customs Export Entry and Board's Export Licence Form B-B13 for exports to the sterling area and Newfoundland, instead of the five copies required heretofore. (The copy of the form which was formerly sent to the exporter's bank is eliminated). Special permit holders have completed four copies in the past and will continue to do so.

(f) Payments for Imports from Countries Outside the Sterling Area

Permits on Form F or Form G are not required for purchases of U.S. dollars from an Authorized Dealer or for transfers of Canadian dollars for the purpose of making individual payments not exceeding \$100 U.S. or its equivalent for goods which have actually been imported into Canada, provided the importer produces to his Authorized Dealer the relative import licences on the Board's Form E or other evidence of the importation. This exemption was formerly \$25 U.S.

(g) Travel from Canada by Residents of the Sterling Area and Newfoundland

Residents of the sterling area and Newfoundland will require travel permits in order to leave Canada for the United States or other countries outside the sterling area and Newfoundland in the same manner as residents of Canada. Sterling area residents who have not sojourned in Canada for more than thirty days prior to the date on which they wish to leave are, however, exempt from this requirement, as are members of the Armed Forces proceeding outside Canada on duty.

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Foreign Exchange Control Board

Ottawa,

January 9, 1942.

PUBLIC CIRCULAR NO. 17

PLEASURE TRAVEL TO BERMUDA, THE BAHAMAS AND JAMAICA
VIA THE UNITED STATES

The authorities in Bermuda, the Bahamas and Jamaica have revised and extended their special arrangements to provide the necessary United States funds to enable residents of Canada to travel to those countries via the United States. The Foreign Exchange Control Board has agreed to grant travel permits in cases covered by these arrangements.

The following conditions apply:

- (a) Only bona fide residents of Canada may take advantage of the arrangements.
- (b) The traveller may journey to the port of departure (New York, Baltimore or Miami) by railway, plane, bus or private automobile over the most direct route, thence by plane or boat to destination. Except when travelling by private automobile it will be necessary to proceed east over a Canadian route as far as it is feasible.
- (c) The traveller will be provided with a reasonable amount of United States funds for incidental expenses en route.

The essence of these arrangements is that the United States funds required for such travel will be provided by the authorities in Bermuda, the Bahamas or Jamaica, as the case may be, in exchange for Canadian funds paid by the traveller. The Canadian offices of the American Express Company and Thos. Cook & Son, Ltd., act as agents for these authorities and, on their behalf, accept Canadian dollars from the traveller and provide in exchange the United States funds necessary to cover the cost of transportation by railway, plane or bus outside Canada and incidental expenses en route.

For complete details regarding these arrangements, interested persons should apply to the American Express Company, Thos. Cook & Son, Ltd., or any regular travel agent.

Canadian travellers may purchase sterling or transfer Canadian dollars, without limitation as to amount, to the British Empire country concerned for their expenses while there.

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